

House File 886 - Introduced

HOUSE FILE 886

BY GERHOLD, THOMPSON, and
BLOOMINGDALE

A BILL FOR

1 An Act relating to the state inheritance tax by modifying
2 gift amounts excludable in an estate and modifying the
3 exemption amount of estates of a certain size, and including
4 applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 450.3, subsection 2, Code 2021, is
2 amended to read as follows:

3 2. By deed, grant, sale, gift, or transfer made within
4 three years of the death of the grantor or donor, which is
5 not a bona fide sale for an adequate and full consideration
6 in money or money's worth and which is in excess of the
7 greater of twenty-five thousand dollars and the annual gift
8 tax exclusion allowable for each donee under section 2503,
9 subsections (b) and (e), of the Internal Revenue Code. If
10 both spouses consent, a gift made by one spouse to a person
11 who is not the other spouse is considered, for the purposes
12 of this subsection, as made one half by each spouse under the
13 same terms and conditions provided for in section 2513 of the
14 Internal Revenue Code. The net market value of a transfer
15 described in this subsection shall be the net market value
16 determined as of the date of the transfer.

17 Sec. 2. Section 450.4, subsection 1, Code 2021, is amended
18 to read as follows:

19 1. When the entire estate of the decedent does not exceed
20 the sum of ~~twenty-five~~ one hundred thousand dollars after
21 deducting the liabilities, as defined in this chapter.

22 Sec. 3. Section 450.44, Code 2021, is amended to read as
23 follows:

24 **450.44 Remainders — valuation.**

25 When a person whose estate over and above the amount of that
26 person's liabilities, as defined in this chapter, exceeds the
27 sum of ~~twenty-five~~ one hundred thousand dollars, bequeaths,
28 devises, or otherwise transfers real property to or for the
29 use of persons exempt from the tax imposed by this chapter,
30 during life or for a term of years and the remainder to persons
31 not thus exempt, this property, upon the determination of the
32 estate for life or years, shall be valued at its then actual
33 market value from which shall be deducted the value of any
34 improvements on it made by the person who owns the remainder
35 interest during the time of the prior estate, to be determined

1 as provided in [section 450.37, subsection 1](#), paragraph “a”, and
2 the tax on the remainder shall be paid by the person who owns
3 the remainder interest as provided in [section 450.46](#).

4 Sec. 4. APPLICABILITY. This Act applies to the estates of
5 decedents dying on or after July 1, 2021.

EXPLANATION

7 The inclusion of this explanation does not constitute agreement with
8 the explanation's substance by the members of the general assembly.

9 This bill relates to the state inheritance tax by modifying
10 gift amounts includable in an estate and modifying the
11 exemption amount of estates of a certain size, and includes
12 applicability provisions.

13 Currently, annual gifts made within three years of death
14 of the decedent that are in excess of the federal gift tax
15 exclusion, presently set at \$15,000, are included in an estate
16 for purposes of calculating the state inheritance tax. The
17 federal gift tax exclusion increases over time with inflation.
18 The bill specifies that a gift made within three years of
19 the death of a decedent shall not be included in the estate
20 unless the gift exceeds the federal gift tax exclusion amount
21 (currently \$15,000) or \$25,000, whichever is greater.

22 The bill also increases from \$25,000 to \$100,000 the value at
23 which estates are exempt from the state inheritance tax.

24 The bill applies to estates of decedents dying on or after
25 July 1, 2021.